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ADDRESS TO THE CONFEDERATION OF EUROPEAN AGRICULTURE
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A NEW DEAL FOR EUROPE'S UNDER-PRIVILEGED
REGIONS

Scotland has always had a close and intimate relationship with the European mainland. Our society has long been influenced by the ideas and skills emanating from the continent, just as we ourselves have contributed to the scientific, artistic and technical assets of Europe. This historic relationship will now be reinforced by the clear decision in the recent Referendum to see our future in terms of our membership of the European Community, a Community which allows a free flow of ideas and which shares many common problems and common challenges.

It is not always realised how similar these problems are. In Scotland there are areas blessed with fertile and productive soils, giving rise to a prosperous and efficient agriculture, just as there are, at the other end of the rural spectrum, areas which are rugged and infertile, areas where the farmer or crofter struggles to maintain a meagre living.

On the European mainland the picture is very similar: though the proportion of the population engaged in agriculture is around 10% to our 3%. There are the affluent farming regions of Holland and Denmark and of Northern France; on the other hand there are the impoverished rural regions - the French Massif Central, the Italian South, the Rhine

Uplands, the Danish Northern Jutland. The latter are areas more akin to our own Highlands and Islands; they face similar problems and similar difficulties. In particular they confront our society with the fundamental question of what value it places on the survival of the rural way of life, of the preservation of the country-side and of the safe-guarding of a domestic supply of basic foodstuffs. Nor can our society ignore the hardships imposed by the turbulent changes in our economy - the harsh experience of forced emigration, so tragic a strand in Scottish or Irish or Italian history, the sorrowful departure from one's homestead, the leaving behind of one's friends and even one's family.

Any European agricultural policy, any European regional policy, must face squarely to these problems. It was, indeed, with these problems in mind that the Common Agricultural Policy was forged. The CAP is based on the twofold principle of guaranteeing stable product prices - that is, helping farmers with their day-to-day earnings, and providing them with assistance to restructure their holdings according to more economic criteria - that is, seeking to achieve a dynamic change in the rural landscape.

During the long debate on British entry into the Community, I tried never to underestimate the differences of marrying the economy of the world's greatest food importer, Britain, to the economy of a Community largely self-supporting in temperate foodstuffs. But I never understood the consistency - still less the internationalism - of those who were urged that the power of the state should be used to help Scottish shipyard workers or steel workers facing large scale redundancy but that there was something fundamentally wrong in the CAP seeking

to do the same for French or Italian peasants facing the problems of painful economic change in agriculture. I am on the side of the underprivileged, whether they work in an out-of-date shipyard or on an infertile mountainside.

Yet there are people who still talk as if the CAP was for the benefit of the wealthy farmers and land-owners at the expense of the people. Perhaps a bit of experience of being up to the knees in mud during the 1975 ploughing season might have convinced them that farmers are workers as well. Certainly as I travel around Europe I am struck by the fact that the peasants of Sicily or South West France are by any standards amongst the poorest members of the European working class. When we face a problem of surplus wine, as we do today, it is worth remembering that that wine comes from the less fortunate regions and represents the livelihood of peasants who are more underprivileged members of the working class than most industrial workers. The CAP has some serious shortcomings, especially in the way it generates costly surpluses, but too little attention has been paid to it as an instrument of peaceful economic change which is helping to produce in a civilised and humane way the massive shift from agriculture into factories and services which in Britain - and particularly in Scotland with its tragic history of agricultural clearances - took place in the 19th century with infinitely more human suffering.

Obviously there is room for further improvement in the operations of the CAP. The Commission is at this very moment working hard on proposals which will go before the governments of the Community shortly. We said in our recent Stock-taking that more action must be taken to prevent surpluses occurring, and that, if they do, consumers must get more of the benefit. The CAP will therefore continue to change in line with the needs of food producers and consumers.

I would like to pay tribute before this agricultural Conference to the readiness of my colleague, Mr Lardinois, to examine these questions. No-one is better qualified to deal with the complexities of Community agricultural policy. He comes to his present post as a distinguished Dutch Minister of Agriculture. He was, as a young man, the agricultural attache in the Dutch Embassy in London and still knows more about the British agriculture support system than most of us in this country. I therefore have a professional respect for Pierre Lardinois' competence and skill. He is, as we would say in Scotland "a bonny fechter" for the farmers of Europe - but also an imaginative one.

It was he who pushed forward as his first act as Agricultural Commissioner for the Commission's proposals on hill farming, which have this year been finally agreed by the Council of Ministers.

This is of special interest in Scotland where, before Britain joined the European Community, many people were saying that EEC rules would put a stop to Britain's system of hill farming grants. Quite the contrary, as it has turned out. Far from giving trouble, the European Community is giving money.

Before British entry to the Community, there was much anxiety about the future of Britain's hill farming grants. Our system seemed to be against all Community tradition, if not actually against the rules. Surely it would have to be phased out during the transitional period? Yet in 1975 what has happened is that the Community has adopted a British-type system as its own, and is requiring all the other Member States to introduce it. What is more, the Community is actually providing money to finance this system of income supplements.

The amount of money in the hill farming scheme is about £40 million for the whole Community. Perhaps our fellow Europeans here will allow me to remind the British section of the audience that it means about £13 million a year for Britain, including about £6 million for Scotland and £3 million for Wales.

It is a clear financial gain, whichever way you look at it. Britain will have the largest share of any country in the hill farming money, about the same as her 28% share in the Regional Development Fund. That is comfortably in excess of her share in the contributions. Moreover, getting this money from the Community will not involve Britain in putting up more money of her own in the national agricultural budget than she might otherwise have wished. The Community scheme means a straightforward reduction in British public expenditure - a saving to the taxpayer without any loss to the farmer.

Aside from the money, this proposal of the Commission is interesting for it marks a new departure. One of the main principles of the Community's Common Agricultural Policy is that farm incomes are maintained at a satisfactory level by the system of common prices. That principle continues, but the "hill farming" proposal offers something else: direct income support for farmers. This idea, as you may well know, has not up to now been so widely accepted on the continent as in Britain. The Commission has said in its Stocktaking of the CAP that it is ready to consider extending this idea to new fields.

As I have shown, the CAP is therefore more than merely a mechanism for guaranteeing prices to the producer. It has, for example, a dynamic forward-looking component in the Guidance Section of the FEOGA agricultural fund. The Guidance Section will distribute over 300 million units of account this

year - which, translated into old-fashioned pounds sterling, means over £120 million. Part of this money is used for the improvement of agricultural marketing schemes, part for the improvement of farm structures and of essential services and infrastructures. Grants and, in some cases, cheap loans, are available. Another part of this money will be available to small farmers who wish to retire, so that their holdings can be amalgamated with neighbouring ones. This procedure was brought in under the revised Mansholt Plan, and provides retiring farmers with an annual pension which varies according to qualifications and age. Finally, a part of the money allocated can be given to industrial undertakings in the agricultural sector or food firms. Projects approved by Brussels generally receive 25% of total funding from the Community, indeed in some cases it can be as high as 45%. Thus in recent years FEOGA has financed, among other things, cheese processing factories, deep-freeze installations for vegetables and expansions of rice plants.

This underlines the fact that in our interdependent society the rural regions cannot be seen in isolation. When the Community was enlarged in 1973, the Heads of Government went out of their way to stress the need for an integrated approach to regional policy by calling for "the correction of the main regional imbalances in the enlarged Community and particularly those resulting from the preponderance of agricultural and industrial change and structural underemployment".

Thus, measures to ease congestion in our urban areas, to encourage decentralisation of industry, should be planned with the requirements of the rural regions in mind. Similarly any decisions to create major economic growth points must make due allowance for an adequate diffusion of such growth to the surrounding rural area.

I feel that the principle underlying this proposition is of the utmost importance. In helping backward rural regions to develop, we should not devote our attention exclusively to agriculture. Forestry, fishing, tourism, and small scale industry all have a vital role to play. Regional policy needs to take the entire range of possible options into account, to choose among the optimum ones, bearing in mind, of course, the historical traditions of the region and the democratically expressed desires of the local people. The most striking result of this new Community consciousness of the need for positive regional policies has been the setting up of the Community's new Regional Development Fund.

This represents a new deal for Europe's underprivileged regions - all of them agricultural regions as well as regions of high unemployment and declining industry. Not only is the Fund available to provide alternative new industrial employment in areas of agricultural poverty. It also incorporates within its resources agricultural funds specifically designed to make grants for rural infrastructure, especially in connection with the Community's new hill-farming aids.

Some people affect to play down the Regional Development Fund. It will only bring in the odd hundred million pounds, they say. Only £750 million to be exact. Only £150 million for Britain. Only £215 million for the South of Italy. Of course I would have liked more. But it is absurd to sneeze at £150 million. The problem regions of Britain and other countries need all the money they can get.

I am an old journalist and politician, but I have never reached that level of Olympian detachment that allows some in press and Parliament to shrug off Britain's £150 million as peanuts or chickenfeed.

Whatever the arguments that will take place about precisely how the British Government adds this to its own development area expenditures, there can be no doubt that, at a time of public expenditure cuts, the Community contribution will enable developments to take place that would simply not take place if there were no Community fund.

It is said that the Regional Fund is only marginal compared to the massive regional expenditure undertaken at the national level. Well, in British terms the Regional Fund represents against the normal British expenditure over the last three years a bonus of about 10%. That seems not a bad margin to start with on a new infant Fund.

But there are two other considerations. British regional development expenditure is, to put it mildly, unselective. Britain gives substantial help to North Sea oil developers, for example, whom wild horses would not keep out of the North Sea, even if there were no national aid. The Community's Fund will operate selectively. Its proportionate contribution to essential development will be all the higher.

Secondly, the European Community's regional expenditure is not to be measured simply in terms of the new Regional Development Fund. It is only the latest instrument - potentially important one in a whole battery of financial weapons which bring help from Brussels to the problem regions of Europe. The Agricultural Funds, as I have said, have big regional implications and ought to have a more conscious regional impact. Then there is the European Investment Bank, which provides massive resources for basic development projects in both agricultural and industrial areas. There is the Social Fund, which concentrates its retraining activities in the areas where the human problem of unemployment is worst. And there are the oldest Community funds of all - the Coal and Steel Funds -

available to provide both training and new jobs in new industry for redundant coal and steel workers.

Together these provide a totality of resources spreading far beyond the Regional Development Fund. What the birth of the Fund this year has done has been to give a new impetus to coordinating the work of these various Community instruments to try to ensure that they work together as part of a coherent Community regional strategy. New machinery is being created inside the Commission for this purpose. It should be possible at regular intervals to monitor the degree to which Community expenditure - agricultural, social and industrial - conforms to agreed regional priorities.

Secondly, the Regional Development Fund is encouraging member Governments to have comprehensive programmes of balanced development in place of regional policies which are often piecemeal and operate in relation to passing political or other pressures. Indeed, after 1977, it will be a condition of grants from the Regional Fund that projects conform to national programmes of development that have been agreed by the Member Governments of the Community as a whole.

The health of agricultural regions is inextricably linked with the prosperity of industrial regions. Migration, which is at least as significant a feature of the regional problem as differences in income per head, has affected the agricultural regions of Europe particularly. In Italy, for example, the loss to other countries in the 1960s of over half a million emigrants, mostly of working age, is only part of the story; during the same period migration from the agricultural south of the country to the industrial north was three times as large. Ireland has a similar history. In Britain, France and parts of Belgium also, there has been a drain towards expanding industrial centres.

Migration of labour on such a scale produces acute social and economic problems, both for the areas that suffer the loss and the areas that gain the population. A loss of population can have cumulative and self-reinforcing effects on the long term prospects of a region and make it more difficult to restore balance or resume growth under such conditions. Furthermore, excessive concentration of economic activity and population in the central regions of Western Europe means that the physical poverty of the underdeveloped regions is matched only by the mounting environmental poverty of the great concentrations.

It will be our task, now that our continent is at last uniting peacefully, to pool our resources, to exchange ideas and learn from our common experiences in order to arrest these trends. A united Europe must be a Europe which abhors social injustice, a Europe which cherishes the traditions of its countryside, and which recognises that perhaps the best harvest that comes from the fields and hillsides of the poorer agricultural areas of Europe is neither oats or barley or sheep - but people; people bred in a country environment which teaches character and self-reliance. The Europe I care about is one that, by pooling its resources and using them well, creates a good quality of life for its people everywhere.